

**ASX / MEDIA RELEASE**

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**HILLS ACQUIRES LEADING AUSTRALIAN INTERACTIVE PATIENT CARE BUSINESSES**

**Hills Holdings Limited (ASX: HIL “Hills”)** is pleased to announce it has entered into separate agreements today to acquire Victorian-based Merlon Health Communications and Queensland-based HTR (Hospital Television Rentals).

Merlon Healthcare Communications produces electronic systems for the healthcare and aged care industries providing design, supply, installation and maintenance services to major hospitals and aged care facilities throughout Australia and New Zealand. Merlon is number two in market share and is the leading producer of IP nurse call solutions.

HTR (Hospital Television Rentals) is Australia's largest (number one) supplier, installer and operator of specialist patient entertainment systems inclusive of television and telephone. With more than 40 years of experience in delivering patient focused services, it provides systems and services to major hospitals and aged care facilities located in all States of Australia.

On a combined basis Hills will have a presence in over 300 Australian hospitals and aged care facilities servicing approximately 40,000 beds. Hills has positioned itself as the number one provider of communications, nurse call, monitoring and entertainment systems for the hospital and aged care sectors. (The businesses will also have a presence in New Zealand).

The total initial consideration for the businesses is \$33.5 million with additional earn outs payable subject to FY14 earnings performance. The transactions will be cash funded from Hills' existing facilities.

The purchase of HTR is effective from 31 August 2013 and the Merlon Health Communications acquisition will be completed, subject to certain customary conditions precedent, on 30 September 2013.

The combined revenues of both businesses will exceed \$25 million per annum and they are expected to deliver strong earnings margins consistent with Hills' strategic and financial investment criteria.

Hills Managing Director and CEO, Mr Ted Pretty, commented, “We are very pleased to announce these acquisitions which are consistent with our strategy to focus on delivering integrated solutions into trusted environments. The health and aged care markets are two of

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the segments that we are targeting, and these businesses are number one and two in their product segments.”

The acquisitions of Merlon and HTR will be marginally EPS dilutive in year one post acquisition costs and amortisation (accretive before such costs and charges) but accretive from year two.

### **Hills' Health Sector Strategy – to be the leader in Interactive Patient Care (IPC)**

Hills' is aggressively focussed on its transformation to a provider of integrated solutions into trusted environments, including the entry into interactive patient care in Health. Our solutions will also extend to Aged Care, Retirement Living and Home care. These are some of the fastest growing industry segments in the economy and entering into these segments is a natural strategy given Hills' existing extensive experience with electronics and communications and our strong brand recognition and trust.

Interactive Patient Care (IPC) emphasises the provision of information, entertainment, educational and clinical resources to the patient at the bedside. This includes patient-facing interfaces such as mobile, Smart TV, and social applications including a self-service patient portal. By acquiring Merlon and HTR contemporaneously, Hills moves into the number one position in IPC in Australia. This move will be complemented by further investments in the sector which are currently being scoped including cloud based applications, wireless networking and technology infrastructure to enable telehealth, telemonitoring, e-health services and telemedicine.

The Australian Health ICT (Information and Communication Technology) sector is estimated to be a \$2.7 billion market, with relevant addressable clinical and non-clinical ICT spend to be worth \$650 million annually. The combination of an ageing population and the increase in demand for health care and aged care facilities affords Hills exciting opportunities for growth. The deployments of the National Broadband Network will increase the population's access to high-speed internet services and afford new opportunities in remote healthcare. Hills intends to work with major broadband and media service providers to deliver a new stream of remote health communications and entertainment outcomes.

Further details of these acquisitions will be provided at the Company's Annual General Meeting on 8 November 2013.

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